

Energy Crisis: Challenges and Mitigation Measures

Facing the Energy Crisis and Regulatory Challenges in North Macedonia

Shamil Rexhepi, Head of Department for Economic Affairs in the field of natural gas, liquid fuels and heat

Key developments in water services



- In 2021, water services in the Republic of North Macedonia are provided by 77 water service providers, whereby some enterprises provide several water services, i.e., eight provide supply of raw water designated for water supply to population, 67 water supply, i.e., supply of drinking water, 57 provide collection and discharge of urban wastewaters, and 19 providing purification / treatment of wastewater.

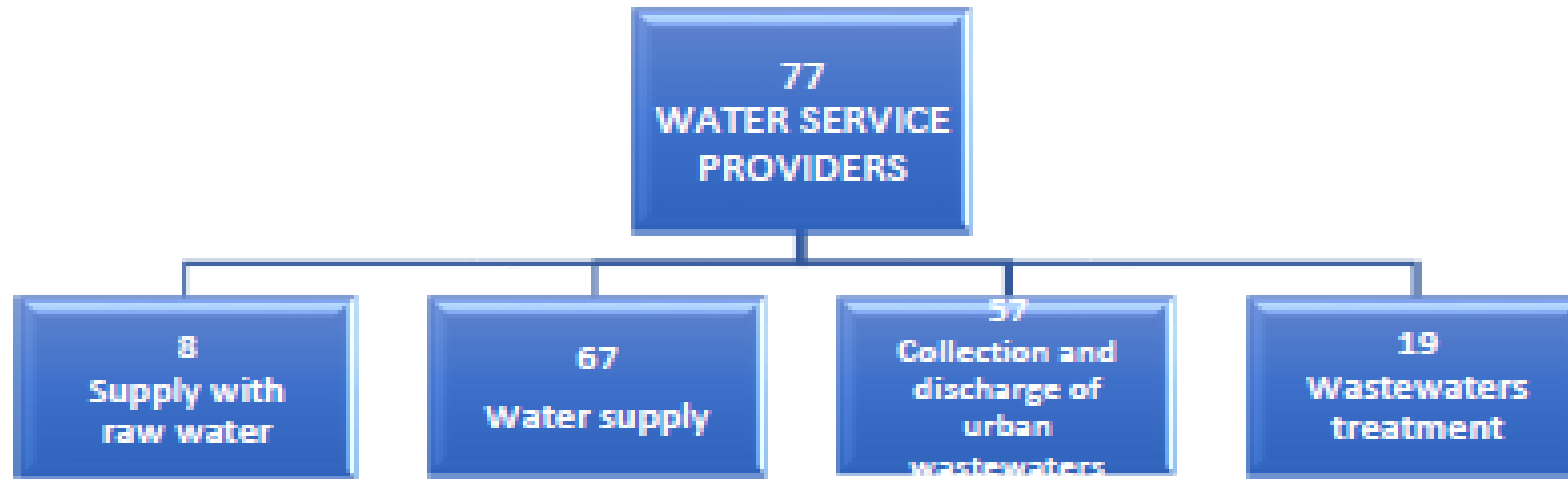


Chart 7.2. Water Service Providers

Key developments in water services



- In accordance with the Law on Water Service Prices, the procedure on establishing the water service tariffs is conducted by the Energy Regulatory Commission. Through this authorization and responsibility, the Commission contributes to the continuous development of the water services sector in the Republic of North Macedonia, i.e., through the provided measures for water service providers it provides efficient management of:
 - 1. Raw water supply intended for water supply of the population,**
 - 2. The water supply,**
 - 3. Collection and discharge of urban wastewaters and**
 - 4. Treatment of wastewaters.**

Key developments in water services



The regulation of prices for water services provides reform of the existing water service sector, which imposes to water service providers to perform essential changes regarding organization, management, financial and operative aspects in its operation. On the other hand, by establishing certain measures and providing directions regarding their operation, water service providers are provided with sustainable development and self-financing for future investment projects through which the quality of water service is improved.

Key developments in water services



Raw water supply intended for water supply of the population

- The tariffs for raw water of 3 service providers are decreased in 2021 in relation to 2020 by -5,21%, -1,29%, i.e., -1,48%. On the other hand, the other water service providers have increased their tariffs in 2021, compared to 2020.

The water supply

- The analyzes shows that in 2021, 31 water service providers have increased the tariff of drinking water for households in relation to 2020, 7 providers have reduced tariff, and 19 without any changes. In the category of other users, 35 providers of the water service supply in 2021, compared to 2020, have recorded an increase of the tariff for drinking water, 8 have reduced the tariff, while 22 in this category of users, remain without any changes in the tariff.

Key developments in water services



Collection and disposal of urban wastewaters

- Compared to 2020, in 2021, 28 collection and disposal of urban wastewaters service providers have recorded an increase of the tariff for the category of households, 11 water service providers have reduced their tariff, while 27 have recorded no change in the tariff for the category of households. In the category of other users, 26 providers of the water service referring to collection and disposal of urban wastewaters in 2021, compared to 2020, have recorded an increase of the tariff, 14 have reduced the tariff, while 15 in this category of users remain without any changes in the tariff.

Wastewater's treatment

- Nine water service providers, compared to 2020, in 2021 have recorded an increase of the tariff for the category of households, while six have reduced the tariff for wastewater's treatment. In the category of other users, 13 providers of the water service referring to the wastewater's treatment in 2021, compared to 2020, have recorded increase of the tariff, three have reduced the tariff, while 4 in this category of users have reduced tariff, and one provider remains without any changes in the tariff.

Energy Crisis and Regulatory Challenges in North Macedonia



At the beginning of 2022, the energy crisis had its effects on the work of water utilities through direct impacts on operating expenses.

According to the data collected for this purpose, especially through the analyze of the electricity bills, the water sector had difficulty covering these costs. In some cases, the effect of these expenses exceeded the approved total annual revenues for the given period.

This challenge had to be covered with legal methods and allowed by the ERC.

In the first calculations, the results spoke of an increase in current tariffs in a range of 100% to 350%.

Effects:

- negative impact on the water system
- weakening of the level of services for consumers
- reduction of the percentage of payment collection
- drastic change of investment plans
- dismissal of many qualified workers
- negative effect on local government policies
- inability to build good business plans.

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Measures taken:

- There will be no change in tariffs beyond the range given in advance with the decisions for the current regulatory period.
- Tariffs will be increased only considering the affordability level of water services bills.
- In intensive and adequate coordination with other institutions at the state level, additional aid will be insisted for utilities.
- In the medium term, the investment plans will be relativized, considering the future regulatory periods.
- The utilities operating measures and expenses will be tightened in order to cover the basic expenses.
- In any case, the reduction of losses or the reduction of nonrevenue water will be initiated.
- The increase in the level of measurement in water services will be stimulated.



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